

WOLVERINE COMMUNITY LIBRARY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

WOLVERINE COMMUNITY LIBRARY

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Wolverine Community Library		County Cheboygan
Audit Date September 7, 2005	Opinion Date September 7, 2005	Date Accountant Report Submitted to State: September 12, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Daniel R. Nieland, C.P.A.			
Street Address 201 South Main Street		City Cheboygan	State MI
Accountant Signature		ZIP 49721	Date

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
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PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 7, 2005

Board of Directors
Wolverine Community Library
Wolverine, Michigan 49799

I have audited the accompanying financial statements of the governmental activities and the General Fund of Wolverine Community Library as of and for the year ended June 30, 2005, which collectively comprise of the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well, evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Wolverine Community Library as of June 30, 2005, and the respective changes in financial position, and respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, along with all related statements and interpretations, as of July 1, 2004.

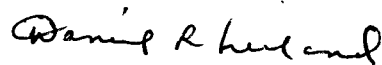
Wolverine Community Library

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September 7, 2005

In accordance with *Government Auditing Standards*, I have also issued a report dated September 7, 2005, on my consideration of the Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.



CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 7, 2005

Board of Directors
Wolverine Community Library
Wolverine, Michigan 49799

I have audited the financial statements of Wolverine Community Library as of and for the year ended June 30, 2005, and have issued my report thereon dated September 7, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wolverine Community Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

The Library was in noncompliance with its operating budget for the general fund.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wolverine Community Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the

Wolverine Community Library

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September 7, 2005

internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Daniel R. Hurland

CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721

WOLVERINE COMMUNITY LIBRARY
LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR JULY 2004 – JUNE 2005

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct your questions regarding this report to:

Susan Warner, Library Director
Wolverine Community Library
5717 West Main Street
P. O. Box 310
Wolverine, Michigan 49799
Phone: 231-525-8800

WOLVERINE COMMUNITY LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS FY 2004 – 2005

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and liabilities and the individual fund statement of revenue, expenditures and changes in fund balance include information about the Library's General Fund under the modified-accrual method.

The modified-accrual method focuses on current financial resources. The full accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

As this is the first year of the Library's management discussion and analysis report, this year's report does not show comparative data to previous years. In future years, the report will include this information. This is consistent with the *Government Accounting Standards Board Statement Number 34*.

Library As A Whole

The Library's primary income comes from millage and penal fines. Property taxes are levied in Nunda, Wilmot, and Mentor Townships at .9808 mills. Penal fines are received from Cheboygan County. These sources account for 88% of all revenue received.

Salaries and payroll taxes accounted for 37% of total expenditures. Depreciation of fixed assets accounted for 41% of expenditures. All other operating expenses accounted for 55% of total expenses. There are currently no employee benefit plans in place.

Budgeting Highlights

Over the course of the year the Library Board of Trustees amended the budget to address unplanned needs that occurred during the year.

Capital Assets and Long-Term Debt Activity

At the end of the fiscal year, the Library had \$394,136 invested in furniture, equipment, land and a building. The Library has a long-term lease for use of the library building with annual lease payments of one dollar.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

Current Assets:	
Cash – Checking	\$ 1,312
Cash – Savings	56,641
Certificate of Deposit	<u>32,568</u>
Total Current Assets	\$ 90,521
Non-Current Assets:	
Capital Assets	394,136
Less: Accumulated Depreciation	<u>(170,698)</u>
Total Non-Current Assets	<u>223,438</u>
Total Assets	<u>\$313,959</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ <u>373</u>
Total Current Liabilities	\$ <u>373</u>
Total Liabilities	\$ <u>373</u>

NET ASSETS

Invested in Capital Assets	\$223,438
Unrestricted	<u>90,148</u>
Total Net Assets	<u>\$313,959</u>

The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

				Governmental Activities
Functions/Programs –	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants/ Contributions</u>	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities:				
Library Services	<u>\$ 84,183</u>	<u>\$ 3,172</u>	<u>\$ 3,187</u>	<u>\$(77,824)</u>
General Revenues –				
Intergovernmental:				
Property Tax				\$ 46,967
State Aid				554
Penal Fines				16,721
Interest Income				1,018
Miscellaneous				<u>397</u>
Total General Revenues				<u>65,657</u>
Change In Assets				(12,167)
Net Assets – June 30, 2004				<u>326,126</u>
Net Assets – June 30, 2005				<u>\$313,959</u>

The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS

Current Assets:

Cash – Checking	\$ 1,312
Cash – Savings	56,641
Cash – Certificate of Deposits	<u>32,568</u>

Total Current Assets	<u>90,521</u>
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Total Assets	<u>\$ 90,521</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Payroll Taxes Payable	<u>\$ 373</u>
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Total Liabilities	373
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Total Fund Balance	<u>90,148</u>
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Total Liabilities and Fund Balance	<u>\$ 90,521</u>
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The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Fund Balance – Total Governmental Funds	\$ 90,521
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Amounts Reported For Governmental Activities
In The Statement Of Net Assets Are Different
Because:

Capital Assets Used In Governmental Activities
Are Not Financial Resources And Are Not
Reported In The General Fund:

Governmental Capital Assets	\$394,136	
Less: Accumulated Depreciation	(170,698)	<u>223,438</u>
Net Assets – Governmental Activities		<u>\$ 313,959</u>

The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Revenues:

Intergovernmental:

Mileage	\$ 46,967
State Aid Grants	554
Penal Fines	<u>16,721</u>

Total Intergovernmental	64,242
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Books and Videos	2,033
Interest Income	1,018
Miscellaneous	397
Fax, Copies, Etc.	1,139
Donations	<u>3,187</u>

Total Revenues	72,016
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Expenditures:

Advertising	94
Books, magazines, videos	1,415
Capital Outlay	23,533
Contingency	2,832
Children's Programs	1,637
Insurance	510
Internet Fees	1,401
Lodging	465
Meals	100
Miscellaneous	259
Mileage	712
Office Supplies/Postage	2,604
Payroll Taxes	2,213
Professional Fees	405
Snow Removal/Lawn Care	205
Repair and Maintenance	1,012
Supplies	560

The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Expenditures: (Continued)	
Salaries and Wages	\$ 28,935
Telephone	1,488
Utilities	2,560
Workshops & Memberships	<u>328</u>
Total Expenditures	<u>73,268</u>
Excess of Expenditures Over Revenues	(1,252)
Fund Balance – July 1, 2004	<u>91,773</u>
Fund Balance - June 30, 2005	<u>\$ 90,521</u>

The accompanying notes are an integral part
of these financial statements.

WOLVERINE COMMUNITY LIBRARY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

Net Change In Fund Balances – Total Governmental Funds	\$ (1,252)
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Amounts Reported For Governmental Activities
 In The Statement Of Activities Are Different Because:

Governmental Funds Report Capital Outlays
 As Expenditures. However, In The Statement
 Of Activities, The Cost Of Those Assets
 Is Depreciated Over Their Useful Lives:

Expenditure For Capital Outlay	\$ 23,533	
Less: Current Year Depreciation	<u>(34,448)</u>	<u>(10,915)</u>

Change In Net Assets Of Governmental Activities	<u>\$(12,167)</u>
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The accompanying notes are an integral part
 of these financial statements.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wolverine Community Library (the Library) serves primarily the residents of the Village of Wolverine and the surrounding Townships. The Library operates under an appointed Board of Directors.

The criteria established for determining the various governmental organizations to be included in the Library's financial statements include oversight responsibility, scope of public service and special financing relationships. Accordingly, the financial statements of the Library contain all Library funds that are controlled by or dependent upon the Library's executive branch.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Government-Wide Financial Statements-

The Library's Government Wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The balance sheet includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts; invested in capital assets and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to patrons for the use of various Library assets and replacement, service and damage fees.

Fund Financial Statements-

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental fund:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the Library. Revenues are derived primarily from property taxes and other intergovernmental revenues.

Accounting Change – Effective July 1, 2004, the Library implemented the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments (GASB No. 34)*, along with all related statements and interpretations. Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

1. A management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.
2. Library-wide financial statements (Statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.
3. The fund financial statements focus on major funds rather than fund types.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budget Accounting

The Library adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. The Library follows these procedures in establishing the budget as reflected in the financial statements:

1. Prior to the start of the fiscal year the Library Board prepared a preliminary budget.
2. During May, the budget is legally enacted through passage of a resolution. amendments to the budget can be made during the fiscal year, if necessary, by a simple majority vote of the Library Board.
3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended June 30, 2005, the Library incurred expenditures in excess of the amount budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Expended</u>
For the General Fund:			
Books, Magazines and Videos	\$ 600	\$ 1,415	\$ 815
Contingency	105	2,832	2,727
Capital Outlay	17,000	23,533	6,533
Children's Programs	1,150	1,637	487
Internet Fees	1,200	1,401	201
Supplies	550	560	10
Salaries and Wages	28,000	28,935	935
Payroll Taxes	2,100	2,213	113

Encumbrance System

The Library does not use an encumbrance system.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

General Fund – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Details of capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Life</u>
Land	\$ 5,000	\$	\$ 5,000	
Building	208,372	112,646	95,726	10 years
Furniture and Fixtures	151,244	38,840	112,404	10 years
Videos and Cassettes	15,306	7,096	8,210	10 years
Office Equipment	<u>14,214</u>	<u>12,116</u>	<u>2,098</u>	10 years
	<u>\$394,136</u>	<u>\$170,698</u>	<u>\$223,438</u>	

Property Taxes – Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls on March 1. The total tax levy was based on a millage rate of .9808 total State Taxable Valuation of approximately \$70,887,000

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states the Library, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

WOLVERINE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (Continued)

- In bonds and other direct obligation of the United States or an Agency or instrumentality of the United States.
- In certificates of deposits, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the Act.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States Government or Federal Agency obligation repurchase agreements
- In bankers' acceptances of United States banks.
- Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54 Stat. 739, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.
- Investment pools organized under the Surplus Funds Investment Pool Act, 1981 PA 367, MCL 129.11 to 129.118.
- Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Certain other restrictions also apply including a requirement for the Board of Directors to formally adopt an Investment Policy which includes specified matters.

NOTE C – RISK MANAGEMENT

The Library carries insurance coverage for property damage, liability, wrongful acts and crime claims. Also, the Library has purchased from a commercial carrier worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE D – TAX EXEMPT STATUS

Based upon a determination letter dated March 12, 1997, from the Internal Revenue Service, the Wolverine Community Library is recognized as a Section 501(c) 3 Organization. Therefore, the Library is exempt from Federal Income Tax and charitable contributions are deductible for the donor to the extent allowed by law. This exempt status has, pursuant to relief granted under I.R.C. Section 301.9100-1, been made retroactive to June 23, 1977, the date the Organization was formed.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental:			
Mileage	\$ 39,000	\$ 46,967	\$ 7,967
State Aid Grants	1,500	554	(946)
Penal Fines	<u>20,000</u>	<u>16,721</u>	<u>(3,279)</u>
Total Intergovernmental	60,500	64,242	3,742
Books and Videos	1,000	2,033	1,033
Interest Income	2,255	1,018	(1,237)
Miscellaneous	25	397	372
Fax, Copies, Etc.	650	1,139	489
Donations	<u>600</u>	<u>3,187</u>	<u>2,587</u>
Total Revenues	65,030	72,016	6,986
Expenditures:			
Advertising	400	94	306
Books, magazines, videos	600	1,415	(815)
Contingency	105	2,832	(2,727)
Capital Outlay	17,000	23,533	(6,533)
Children's Programs	1,150	1,637	(487)
Insurance	600	510	90
Internet Fees	1,200	1,401	(201)
Lodging	1,100	465	635
Meals	700	100	600
Miscellaneous	800	259	541
Mileage	1,000	712	288
Office Supplies/Postage	2,250	2,604	(354)
Professional Fees	575	405	170
Snow Removal/Lawn Care	750	205	545
Repair and Maintenance	1,050	1,012	38
Supplies	550	560	(10)
Salaries and Wages	28,000	28,935	(935)
Payroll Taxes	2,100	2,213	(113)
Telephone	1,500	1,488	12
Utilities	2,600	2,560	40
Workshops & Memberships	<u>1,000</u>	<u>328</u>	<u>672</u>

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

(Continued)	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Total Expenditures	<u>65,030</u>	<u>73,268</u>	<u>(8,238)</u>
Excess of Expenditures Over Revenues	\$ <u>0</u>	(1,252)	\$ <u>(1,252)</u>
Fund Balance – July 1, 2004		<u>91,773</u>	
Fund Balance - June 30, 2005		<u>\$ 90,521</u>	

The accompany notes are an integral part
of these financial statements.

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
CHEBOYGAN, MICHIGAN 49721
(231) 627-4396
FAX: (231) 627-6594

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

September 7, 2005

Board of Directors
Wolverine Community Library
Box 310
Wolverine, Michigan 49799

Re: Comments and Recommendations

I have examined the general purpose financial statements of the Wolverine Community Library, for the year ended June 30, 2005, and have issued my report thereon dated September 7, 2005.

My examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing my examination, made a study and evaluation of the internal accounting controls of Wolverine Community Library. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because I am not relying on the entity's internal accounting control procedures to restrict my substantive tests, my study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, I do not express an opinion on the system of internal accounting control taken as a whole. Also, my examination made in accordance with the standards mentioned above, would not necessarily disclose weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

Wolverine Community Library
Page 2
September 7, 2005

The following is a recommendation regarding accounting matters:

With regards to budgeting, it appears that the Board is attempting to approve a final budget which is very close to actual. This has resulted in some unfavorable variances. Revenue and expenditure budgets are not intended to balance to the penny; but rather provide a guideline for spending and framework for planning. With this in mind, revenue should be budgeting conservatively, which would be to the low side for revenue and expenditures should be slightly over budget to make room for unforeseen expense. Periodically, the budget should be reviewed to see if an amendment is necessary. This was also commented on in the prior audit.

If you have questions regarding this letter or the audited financial statements, please don't hesitate to call.

Sincerely,



Daniel R. Nieland, C.P.A.

DRN/jb